

THE CARLYLE GROUP

GLOBAL ALTERNATIVE ASSET MANAGEMENT



## *Corporate Citizenship 2010*

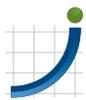
A PROGRESS REPORT TO OUR INVESTORS, OUR PARTNERS AND OUR COMMUNITIES





## *Corporate Citizenship*

We believe that we must invest wisely and responsibly to create lasting value. That means being a good corporate citizen and promoting practices that encourage social and environmental sustainability and strong corporate governance. Across six continents, we're working to create stronger companies and better communities.



*Responsible Investing*



*One Planet*  
environmental stewardship



*One Community*  
community volunteering



*One Resource*  
wealth sharing



*One World*  
workplace diversity

# Letter from the Founders

## TO OUR INVESTORS

At Carlyle, we believe that being a good corporate citizen represents good business practice and creates long-term value for our investors.

Because our investment decisions affect individuals, communities and the environment, we recently launched a number of new programs and initiatives that elevate our commitment to being a good corporate citizen across the firm and across our portfolio companies. This inaugural report—which also reflects our commitment to transparency—describes our corporate citizenship efforts and those of some of our portfolio companies. For updates and progress reports during the year, please visit our website at [www.carlyle.com/citizenship](http://www.carlyle.com/citizenship).

Our commitment begins in our core investment activities. In 2008, we sharpened our focus on environmental, social and governance (ESG) issues by developing a set of Guidelines for Responsible Investment. We developed these guidelines in consultation with a leading ESG expert, drawing on a variety of existing internationally recognized norms, including the U.N. Principles for Responsible Investment and the U.N. Global Compact. The Private Equity Growth Capital Council subsequently adopted a similar set of guidelines. We share these guidelines with a targeted set of our portfolio companies and, where possible, assist them with their ESG activities.

Building on the guidelines, we have begun to enhance a number of our investment practices to elevate the importance of environmental considerations. Through a partnership with Environmental Defense Fund, we developed EcoValuScreen, a due diligence tool that identifies operational changes to improve a company's environmental footprint and bottom line. Additionally, we are supporting a number of creative initiatives sponsored by our portfolio companies.

In addition to our work as investors and owners, we have taken steps to change our own operations to reduce the firm's environmental footprint. We have also become increasingly involved in the communities where we invest around the world



William E. Conway, Jr.



Daniel A. D'Aniello



David M. Rubenstein

by establishing partnerships with global and local service organizations, such as Junior Achievement and Habitat for Humanity. Through these partnerships, our employees teach financial literacy and build homes, among many other volunteer activities. We supplement these activities with an expanded wealth sharing program that leverages the firm's resources to support charitable causes pursued by our employees. We recently launched an innovative partnership with the Robert Toigo Foundation—an organization focused on changing the face of the finance industry—to create new career opportunities for minority MBA graduates. These initiatives help Carlyle attract and retain top talent.

As we look forward to 2011, we recognize that we must continue to build on the foundation that we have created. We know that our corporate citizenship initiatives must continue to evolve, and we have two key objectives for next year. First, we will expand and improve our efforts to share the guidelines across Carlyle's portfolio. Second, we will develop a set of metrics by which Carlyle seeks to measure its performance. Adding quantitative performance metrics will provide a greater level of transparency and accountability.

For 24 years, Carlyle has worked to be a good, ethical investor, and recently we have intensified our efforts to be an even better corporate citizen. While we are making progress, we acknowledge that much work remains. Change takes time, focus, resources and the collective will of many people and organizations. Carlyle is committed to being a part of the solution.



William E. Conway, Jr.  
Managing Director



Daniel A. D'Aniello  
Managing Director



David M. Rubenstein  
Managing Director



*One Carlyle*

## OUR / collaborative spirit

Ours is a culture of performance through collaboration. Carlyle professionals work together seamlessly and selflessly across funds, industries and geographies to deliver the wisdom, knowledge and resources required to invest wisely and create value for our investors.

We call our collaborative spirit *One Carlyle*.

## OUR / **purpose**

To invest wisely and create value

## OUR / **mission**

Generate superior investment returns

Inspire the confidence and loyalty of our investors

Attract, develop and retain highly talented professionals

Demonstrate principled industry leadership

Be responsible and respected members of the global community

## OUR / **values**

**SERVICE** / Act in the best interest of our investors

**INTEGRITY** / Uphold the highest standards of integrity, professionalism and confidentiality

**QUALITY** / Deliver best-in-class investment activities and services to our investors

**STEWARDSHIP** / Treat our investors' money as if it were our own, balancing risk and reward

**ACCOUNTABILITY** / Take personal responsibility and deliver on commitments

**TEAMWORK** / Create community and work together as *One Carlyle*

**RESPECT** / Value each other, encourage professional development, respect personal contributions and reward effective performance

**CITIZENSHIP** / Be responsible citizens in the communities in which we work and live

**ENTREPRENEURSHIP** / Differentiate the firm through creative thinking and action

**DETERMINATION** / Show a will to win in every aspect of our business



## OUR / **foundation**

While we are in the early stages of our corporate citizenship efforts, we believe we are making good progress. We have:

- Developed and adopted the Private Equity Growth Capital Council's Guidelines for Responsible Investment (PAGE 8)
- Launched a process to share the Responsible Investment Guidelines with our portfolio companies (PAGE 9)
- Formed new, innovative stakeholder relationships, such as our partnerships with Environmental Defense Fund and Robert Toigo Foundation (PAGES 13 AND 28)
- Developed and implemented EcoValuScreen (PAGE 15)
- Broadened our global wealth sharing and volunteer initiatives (PAGE 24)
- Enhanced the transparency of our corporate citizenship activities

Going forward, we will build on the foundation we have created.

## OUR / **objectives**

We have two key objectives for 2011. First, expand and improve our efforts to share the guidelines across Carlyle's portfolio. Second, develop a set of quantifiable performance metrics by which we can measure our progress.

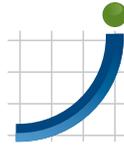


At Carlyle, we have adopted responsible investing practices to make us better investors by identifying and mitigating ESG-related risks during the investment process. To this end, we have begun implementing processes to:

- Assess the ESG risks associated with our corporate investments
- Enhance the environmental performance of our portfolio companies through improved operational efficiencies
- Mitigate the potential negative effects of low-probability, high-impact ESG risks

By evaluating these considerations in the context of a particular investment, we aim to better align the interests of Carlyle, our portfolio companies and our investors, and ultimately produce more attractive returns for our investors.

## A commitment to responsible investing



“I expect that the guidelines will soon be an essential part of best practices and good corporate governance in our industry and beyond. The guidelines demonstrate Carlyle’s commitment and leadership on this important initiative.”

William E. Conway, Jr.  
Co-Founder and  
Managing Director

We believe it is important to consider the ESG implications of our investments. This approach is not just about being good stewards of the capital committed to us by our investors; it is also about being good corporate citizens.

At Carlyle, creating long-term value for our investors means identifying and managing ESG risks and opportunities. That’s why we are undertaking a number of initiatives to better understand the impact our investment decisions will have on people and on the communities in which we invest. To incorporate this commitment into our investment process, we developed our own set of investment guidelines in consultation with an ESG expert, drawing on a variety of existing internationally recognized norms, including the U.N. Principles for Responsible Investment and the U.N. Global Compact. Carlyle’s guidelines were integral to shaping the corporate social responsibility guidelines later adopted by the members of the Private Equity Growth Capital Council.

First and foremost among our investment guidelines:

**Consider environmental, public health, safety and social issues associated with target companies when evaluating whether to invest in a particular company or entity, as well as during the period of ownership.**

We have integrated the guidelines into our investment decision-making process for controlling, corporate buyouts through a top-down and systematic process that reaches across Carlyle’s fund groups. Each investment team must include an analysis of the guidelines in its final investment committee memorandum seeking approval for an investment.

In transactions where Carlyle does not acquire a controlling position, we have applied the guidelines during the investment process to those transactions in which ESG issues play a significant role in the investment risk analysis. Across our portfolio, our investment teams have found that the guidelines can help them identify new ways to enhance a company’s operations and value.



"I share Carlyle's commitment to ESG, and I think it is important to elevate these issues to the board level. The PQ board will review our implementation of the guidelines on an annual basis."

Michael Boyce  
Chief Executive Officer  
PQ Corporation

## PRIVATE EQUITY GROWTH CAPITAL COUNCIL

### Guidelines for Responsible Investment

These guidelines were developed by the Private Equity Growth Capital Council taking into account, among other inputs, the U.N. Principles for Responsible Investment and the U.N. Global Compact and the ten principles derived from it.

Private Equity Growth Capital Council members will:

1. Consider environmental, public health, safety, and social issues associated with target companies when evaluating whether to invest in a particular company or entity, as well as during the period of ownership.
2. Seek to be accessible to, and engage with, relevant stakeholders either directly or through representatives of portfolio companies, as appropriate.
3. Seek to grow and improve the companies in which they invest for long-term sustainability and to benefit multiple stakeholders, including on environmental, social and governance issues. To that end, Private Equity Growth Capital Council members will work through appropriate governance structures (e.g. board of directors) with portfolio companies with respect to environmental, public health, safety, and social issues, with the goal of improving performance and minimizing adverse impacts in these areas.
4. Seek to use governance structures that provide appropriate levels of oversight in the areas of audit, risk management and potential conflicts of interest and to implement compensation and other policies that align the interests of owners and management.
5. Remain committed to compliance with applicable national, state, and local labor laws in the countries in which they invest; support the payment of competitive wages and benefits to employees; provide a safe and healthy workplace in conformance with national and local law; and, consistent with applicable law, will respect the rights of employees to decide whether or not to join a union and engage in collective bargaining.
6. Maintain strict policies that prohibit bribery and other improper payments to public officials consistent with the U.S. Foreign Corrupt Practices Act, similar laws in other countries, and the OECD Anti-Bribery Convention.
7. Respect the human rights of those affected by their investment activities and seek to confirm that their investments do not flow to companies that utilize child or forced labor or maintain discriminatory policies.
8. Provide timely information to their limited partners on the matters addressed herein, and work to foster transparency about their activities.
9. Encourage their portfolio companies to advance these same principles in a way which is consistent with their fiduciary duties.

## IMPLEMENTING THE GUIDELINES

Carlyle's Office of Global External Affairs monitors the implementation of the guidelines. The office maintains examples that demonstrate the application of the guidelines to particular transactions and shares these examples across the firm. In addition, investment professionals with specific expertise often assist others across the firm with ESG-related issues.

The office also has developed a network of subject matter experts and consultants that complement our internal resources and help evaluate ESG issues related to particular investments. With their experience and knowledge, these advisors help identify issues and are a vital component of our due diligence process.

## SHARING THE GUIDELINES

One of the Private Equity Growth Capital Council's guidelines for responsible investing dictates that firms should:

**Encourage their portfolio companies to advance these same principles in a way which is consistent with their fiduciary duties.**

At Carlyle, we see the value of working with our portfolio companies to consider the ESG implications of their businesses. That's why in 2010 we began educating some of our portfolio companies in which we have a controlling interest on the guidelines, specifically the environmental and social issues related to their operations. We have worked with the boards of directors of these companies and have encouraged them to review the guidelines and to discuss them at a board meeting on an annual basis. We acknowledge that we can do a better job of sharing these guidelines with our portfolio companies; therefore, in 2011 one of our goals is to implement a more systematic process for extending these guidelines across our portfolio.

Several of our portfolio companies have initiated board-level discussions of the guidelines. For example, the board of directors of PQ Corporation, a Carlyle Partners IV, L.P. portfolio company that manufactures industrial chemicals, initially discussed the guidelines during a meeting in the second quarter. The PQ board developed a report to document its discussion, and it will use this record as a benchmark for future board discussions.

We have also shared the guidelines with the boards of directors of particular companies in which we hold a non-controlling position and encouraged them to consider the guidelines. Some of these companies have incorporated the guidelines into their governance processes. For example, the board of directors of BankUnited, an investment by Carlyle Global Financial Services Partners, L.P., Carlyle Partners V, L.P. and Carlyle Strategic Partners II, L.P., has evaluated the guidelines and has incorporated an annual review of the company's progress against the guidelines into its agenda.

**"I have encouraged the portfolio companies in Carlyle Global Financial Services Partners to address the guidelines at one board meeting each year. Implementing the guidelines across the fund is simply good business practice."**

**P. Olivier Sarkozy**  
Managing Director and Head of Carlyle Global  
Financial Services Partners



“It was clear to us that real, long-term growth cannot be accomplished without fishing in responsible and sustainable ways. We are gratified that The Carlyle Group has recognized this commitment, and welcome the contribution they will make in shaping our sustainability strategy going forward.”

Ng Joo Siang  
Group Managing Director  
China Fishery Group

## RESPONSIBLE INVESTMENT GUIDELINES AT WORK

With \$38.7 billion invested in 279 active corporate transactions across six continents as of September 30, 2010, we are keenly aware of the potential environmental, social and governance impact of our investments. As a result, we are working closely with our portfolio companies to ensure that they operate as responsibly as we invest. China Fishery, Giannoni, Grupo Qualicorp and Yashili provide four recent examples of our responsible investment guidelines at work.

### CHINA FISHERY GROUP: IMPROVING SUSTAINABLE PRACTICES

In July 2010, Carlyle Asia Partners III, L.P. invested in China Fishery Group, one of the world’s largest industrial fishing companies. Employing state-of-the-art technology, China Fishery responsibly harvests, processes and delivers quality fish products to processors and distributors to meet the growing demand of consumers worldwide.

During the due diligence process of this transaction—which represents the largest investment ever by an alternative asset management firm in the seafood/fishing sector—the Carlyle team identified the sustainability of fish stocks as an important environmental, social and business issue. To address these sustainability concerns, Carlyle engaged a leading ESG advisor to recommend appropriate mitigation measures.

In connection with Carlyle’s investment, China Fishery has committed to undertake a sustainability assessment of its operations. An independent third-party organization with knowledge of the relevant fisheries will conduct the assessment, which will involve direct engagement and consultation with stakeholders. The assessment will evaluate:

- Sustainability of the relevant fish stocks
- The role that China Fishery can play in advancing Marine Stewardship Council certification for relevant fisheries
- China Fishery’s operations, including compliance with fishing quotas and regulations

The assessment will include recommendations regarding potential participation in multi-stakeholder initiatives intended to manage the sustainability of these fisheries and operational improvements in accordance with best practices.

China Fishery is also forming a new Corporate Social Responsibility Advisory Committee to advise the board of directors on an ongoing basis. The committee will include individuals and advisors with significant experience dealing with sustainability concerns. Dr. Keith Sainsbury, Vice-Chairman of the Board of Trustees of the Marine Stewardship Council and Fishery Commissioner for the Australian Fisheries Management Authority, has agreed to serve as one of the advisors.



Responsible investing incorporates environmental considerations in investment decision making. Our global network enables us to help companies such as China Fishery engage leading experts to address sustainability concerns and improve operational and financial performance. We are committed to finding ways to help companies implement sustainable business practices.



## GRUPO QUALICORP: EXPANDING ACCESS TO HEALTHCARE

In September 2010, Carlyle Partners V, L.P. and Carlyle South America Buyout Fund, L.P. acquired a controlling stake in Grupo Qualicorp, a provider of brokerage, consultancy services and management of private health insurance plans in Brazil. As part of the due diligence process, Carlyle closely evaluated the effect of the investment on key social and governmental issues affecting Brazilian society. In particular, the investment is expected to benefit the community by facilitating the availability of reasonably priced, quality private healthcare to individuals who previously lacked access to affordable private coverage. Carlyle will strengthen Qualicorp's governance structures by establishing audit and compensation committees and by implementing compensation practices that closely align the interests of management, Carlyle and our investors. Carlyle is also committed to reviewing the implementation of the responsible investment guidelines on an annual basis with Qualicorp's board of directors.

## GIANNONI FRANCE: INVENTING ECO-FRIENDLY SOLUTIONS

In July 2010, Carlyle Europe Partners III, L.P. acquired a majority interest in Giannoni. Based in France, the company manufactures stainless steel heat exchangers for condensing boilers in commercial and residential buildings across Europe and North America. The company's energy-efficient heating systems focus on sustainability with products that reduce energy consumption, costs and greenhouse gas emissions. Carlyle's investment will support the company in its commitment to meet and exceed industry standards on environmental, health, safety and social issues established by the relevant regulatory bodies. Giannoni also aims to participate in developing condensing boiler standards for the industry. Carlyle will seek to maintain and enhance the company's commitment to responsible production. By reviewing the implementation of the guidelines annually with Giannoni's board of directors, Carlyle will seek to drive changes in the company's strategy and operations.



EPOfilms European Inventor of the Year Award 2009

## GUANGDONG YASHILI GROUP: ENHANCING PRODUCT QUALITY

In August 2009, Carlyle Asia Partners III, L.P. invested in Guangdong Yashili Group, one of China's largest infant formula companies, and immediately took steps to strengthen the integrity of the company's manufacturing processes.

First, Carlyle helped the company recruit a chief quality officer to supervise product quality control and supply chain protocols. Carlyle also worked with Yashili to establish a Food Quality and Safety Advisory Committee charged with introducing international best practices and providing strategic guidance to the board of directors. The advisory committee, the first of its kind in the Chinese dairy industry, comprises six individuals from academic institutions and industry associations, including Robert E. Brackett, former Director of Food Safety at the U.S. Food and Drug Administration, who serves as the committee's Chairman.

Collectively, Carlyle's initiatives have sought to strengthen product development and quality while supporting Yashili's mission to deliver high-quality nutrition to Chinese families. We believe these efforts can give Yashili a competitive advantage within this sector through enhanced consumer confidence. To further infant nutritional research and product development, Carlyle will also assist Yashili in forming collaborative relationships with top-tier international research institutes.

## STRATEGIC PARTNERSHIPS FURTHER RESPONSIBLE INVESTING

While we are proud of the work we have done to help establish industry-leading practices, we also acknowledge that we can continue to improve and evolve our approach to responsible investing. To bring new, creative thinking and best practices to our investment approach, Carlyle has formed a strategic partnership with Environmental Defense Fund (EDF).

### ENVIRONMENTAL DEFENSE FUND: TEAMING UP WITH AN ESTABLISHED EXPERT

In 2009, we established a working relationship with EDF intended to enhance the business and environmental performance of Carlyle and our portfolio companies. A national non-profit organization representing more than 700,000 members, EDF links science, economics, law and innovative private-sector partnerships to create transformational solutions to the most serious environmental problems.

Given the success of our partnership with EDF, we are seeking to form new collaborations with other ESG experts so that we can continue to expand and refine our corporate citizenship activities.





Environmental management and innovation can be competitive advantages for Carlyle and our portfolio companies. That's why we are teaming up with experts to create industry-leading approaches to improve environmental performance across the investment life cycle from due diligence to portfolio company stewardship.





## A focus on environmental stewardship

**“This is a first for the private equity sector ... This new due diligence screen expands the significant role that environmental management can have in creating value in private equity and across the many industries and companies it touches.”**

**Gwen Ruta**  
Vice President, Corporate Partnerships  
Environmental Defense Fund

Environmental concerns—ranging from climate change to industrial pollution to natural resource scarcity—are increasingly affecting the capacity of businesses to create value for customers, investors and other stakeholders. Whether through our investment practices or the operations of our portfolio companies, environmental considerations play a significant—and growing—role in our thinking and strategy.

### **A NEW WAY TO PERFORM ENVIRONMENTAL DUE DILIGENCE**

In March 2010, Carlyle and EDF announced the creation of EcoValuScreen, a new environmental due diligence framework that unlocks opportunities for operational improvement and value creation through enhanced environmental management at targeted portfolio companies. Developed in partnership with The Payne Firm, an international environmental consultancy, this powerful analytic tool builds on our responsible investment guidelines, our established due diligence practices and EDF’s expertise.

EcoValuScreen goes beyond the traditional focus of risk mitigation during the due diligence process by identifying opportunities for operational enhancements that will lead to better environmental and financial performance during the early stages of the investment process. We’re using this approach to more effectively evaluate the operations of a target company, identify the most promising environmental management opportunities, and incorporate this information into the post-investment management, governance and reporting plans of our controlled portfolio companies.

To develop the screen, we worked with Payne and EDF to examine more than 320 current and former Carlyle portfolio companies. Our goal is to identify opportunities to improve efficiency, reduce costs and minimize environmental impacts across five key areas: forest products, greenhouse gas emissions, priority chemicals, waste management and water use.

The analysis revealed the link between common business practices across our portfolio companies and their impact on the environment. It also identified specific initiatives to enhance the environmental performance of these activities while driving financial savings. Additional information about EcoValuScreen is available at <http://edf.org/duediligence>.

## ECOVALUSCREEN IN ACTION

We are applying EcoValuScreen to new controlling, corporate investments in the United States and will soon apply it to other buyout investment opportunities, where appropriate. While we are focusing on applying the screen to our own investments, we are also broadly sharing the framework with environmental consulting firms and other interested parties. Our goal is to establish the EcoValuScreen approach as a best practice that is widely integrated into due diligence across the private equity industry.

## NBTY: IMPROVING OPERATIONAL AND ENVIRONMENTAL PERFORMANCE

In October 2010, Carlyle acquired NBTY, Inc., a global manufacturer and marketer of nutritional supplements. The company manufactures and sells more than 25,000 products under a number of brands, including Nature's Bounty, Holland & Barrett, Vitamin World and Puritan's Pride. As part of the investment process, the Carlyle investment team coordinated with EDF and Payne to apply EcoValuScreen to the transaction.

Payne began by conducting a baseline assessment of NBTY's current operations and distribution network. Working closely with A.T. Kearney—a global management and operations consulting firm retained by Carlyle's investment team—Payne reviewed public data and corporate operating reports, conducted interviews with NBTY's leadership and visited several of the company's facilities. Through this assessment, EDF and Payne were able to evaluate the scale and complexity of NBTY's manufacturing and distribution processes and identify energy, packaging and solid waste as the company's key environmental performance areas.

With the information gathered during the assessment stage, Carlyle, EDF and Payne identified several initiatives that the company could implement to enhance its operations while improving its environmental performance. These opportunities include: developing strategies to increase the efficiency of NBTY's manufacturing and distribution network; enhancing site operations through the creation of new metrics to monitor plant productivity; and focusing on strategic sourcing programs to reduce packaging, raw material usage and solid waste. Carlyle and NBTY's management team are evaluating the potential initiatives and intend to develop an implementation plan.

Each of these initiatives could result in a direct improvement to NBTY's operations and generate corresponding environmental benefits through reductions in energy, greenhouse gas emissions and waste. Carlyle, EDF and Payne intend to work with NBTY's management



team to create a baseline for tracking future energy and waste reductions and to develop relevant metrics to measure performance. Carlyle will continue to monitor the implementation process and report the results to EDF, our investors and other stakeholders.

### **PARK WATER COMPANY: CONSERVING PRECIOUS RESOURCES**

In December 2010, Carlyle Infrastructure Partners, L.P. agreed to acquire the Park Water Company, an owner and operator of two regulated water distribution utilities in California and one in Montana. Based in Downey, California, Park Water and its subsidiaries collect, store, distribute and sell water to some 250,000 customers.

As population and demand for water continue to grow, sound management of water resources and infrastructure is increasingly important to our society and economy. In addition, water-related energy use represents a significant percentage of California's electricity consumption, making successful water conservation efforts a critical part of reducing energy use and greenhouse gas emissions. While the transaction is pending regulatory approvals, Carlyle has started discussions with Park Water's management to apply EcoValuScreen to assess the company's water supply management and energy usage, and to identify potential operational enhancements to help the company further its environmental management and conservation initiatives.

Based on a pre-closing, preliminary analysis, Carlyle, EDF and Payne have identified three opportunities to build on efforts already underway at the company. First, expanding the use of water meters at Park Water's Montana affiliate will enhance the company's ability to measure and manage water flow and promote water conservation. Second, investing capital in replacing and repairing aging pipes will increase efficiency and reduce water loss. Third, scaling water conservation initiatives across all three utilities will help consumers improve efficiency and reduce demand.

We believe the opportunities identified through the EcoValuScreen process build on Park Water's current environmental achievements by consolidating existing programs, providing a platform for new initiatives, and integrating energy and water efficiency metrics into the company's management plan. These activities are intended to enhance operations, reduce environmental impacts and improve financial performance. Carlyle will be prepared to work with Park Water's management team on these initiatives if and when regulatory approval has been achieved.



## PORTFOLIO COMPANIES AND THE ENVIRONMENT

We know that some companies capitalize on challenges and opportunities better and more consistently than their competitors. We also acknowledge that environmental issues are increasingly a part of both business challenges and opportunities for many of our portfolio companies. That's why we have begun efforts to support environmental initiatives at a number of our portfolio companies, and why we plan to do more in the future to ensure that our companies have the information and resources they need to identify opportunities to enhance environmental efficiencies.

### ALLISON TRANSMISSION: ECOMAGINATION TREASURE HUNT

As part of our effort to support environmental leadership activities across our portfolio, we introduced EDF to Allison Transmission, a Carlyle Partners IV, L.P. portfolio company. Allison is a global designer, manufacturer and supplier of automatic transmissions for medium- and heavy-duty commercial and specialty military vehicles. The company manufactures hybrid transmissions for trucks and buses. Allison and EDF are working together to measure, manage and reduce energy and greenhouse gas emissions from the company's operations.

In November 2010, Allison worked with EDF and GE Capital to host an "ecomagination Treasure Hunt." This process, developed by GE, promotes energy efficiency awareness and action by working with volunteer employees from across a company to assess its operations and identify innovative ways to improve energy efficiency.

During the treasure hunt, a team of more than 20 Allison employees, GE experts, EDF representatives and outside specialists spent three days observing Allison's primary manufacturing facility during all phases of operations—from shutdown mode over a weekend to normal operations during day shifts. The participants were divided into three teams focused on reducing energy use from lighting, motors and compressed air throughout the facilities. The goal was to identify, quantify and recommend projects that would improve energy efficiency and cut costs.

As a result of the treasure hunt, Allison identified more than 20 different initiatives that could save the company up to \$1.2 million annually and reduce CO<sub>2</sub> emissions by approximately 15,000 metric tons per year—equivalent to taking 2,800 cars off the road. Allison is reviewing the full results of the treasure hunt, prioritizing projects for implementation and incorporating these initiatives in the company's ISO 14001 environmental management process for 2011.



**"The Treasure Hunt provided Allison Transmission an opportunity to benchmark with General Electric's energy audit strategy and validate internal energy improvement priorities."**

Lawrence E. Dewey  
Chief Executive Officer  
Allison Transmission



## HERTZ CORPORATION: ELECTRIC VEHICLE MOBILITY PROGRAM

In September 2010 at the Clinton Global Initiative Annual Meeting, Hertz Corporation, a Carlyle Partners IV, L.P. portfolio company and a premier global car rental company, committed to bring the next generation of electric vehicles to the general public through its car rental and car sharing operations. Hertz officially launched the program in New York City in December 2010, with full-scale deployment in the United States and other countries beginning in 2011.

As one of the world's largest general-use airport car rental brands, Hertz is uniquely positioned to introduce multiple groups of consumers—urban drivers, college students, travelers and corporations—to all-electric and plug-in hybrid vehicles. We believe Hertz's leadership in this initiative will catalyze other partners and cities to provide additional infrastructure for mass scaling of electric mobility across the general public.

Hertz's Electric Vehicle Mobility Program is the first of its kind to provide a range of all-electric and plug-in hybrid vehicles on a rental basis on a global scale. The program will leverage the company's rental and car sharing locations as bases for vehicles and charging stations and tap into its technology—including sophisticated fleet management tools and the NeverLost GPS system—to help form an electric vehicle grid.

To implement the program, Hertz is forming strategic partnerships with manufacturers, charging station providers, municipalities, nongovernmental organizations, corporations and other stakeholders. Based on an introduction from Carlyle, Hertz now plans to work with EDF to develop guidelines and metrics to ensure that electric vehicles and the associated charging infrastructure are developed in a way that results in real, measurable benefits for the environment and consumers.



Photo via CGI 2010

Treehugger.com named Hertz's Electric Vehicle Mobility Program to its list of the seven Best Green Initiatives at the 2010 Clinton Global Initiative Annual Meeting.

“Done right, electric vehicles can help the environment and represent a leap forward in transportation. We look forward to working with Hertz and its partners to ensure that this leap drives measurable benefits for both consumers and the planet.”

Fred Krupp  
President  
Environmental Defense Fund



“Carlyle's introduction to EDF helped Hertz connect with a key stakeholder and build support for our electric vehicle program.”

Richard Broome  
Senior Vice President  
Corporate Affairs and Communications  
Hertz



“One of the qualities Carlyle and its partners brought to our public-private partnership with them was the commitment to incorporate strong environmental principles into the project.”

Jeffrey A. Parker  
Commissioner  
Connecticut Department of Transportation



## Project Service has identified a number of environmental initiatives that it will undertake:

**RENEWABLE ENERGY.** Photovoltaic solar technology will be installed throughout all 23 locations along Interstates 95 and 395 and Route 15. In every case, a significant portion of the electricity required to run each facility will be generated by sunlight through ground-, rooftop- or fuel canopy-mounted systems. These systems are anticipated to produce a total 238,464-kilowatt hours of power and will be monitored individually and collectively at both central and on-site locations.

**TRUCK IDLE-REDUCTION TECHNOLOGY.** Eighty-five idle-reduction systems will be installed along Interstate 95. Once in place, trucks will be required to plug in to these systems immediately after parking, enabling them to shut off their engines and obtain power, heat and air-conditioning from these external sources without idling their motors. This is expected to significantly reduce truck noise and improve air quality while providing additional revenue and reducing fuel consumption.

**SILVER LEED-EQUIVALENT CONSTRUCTION.** All 23 service plazas will have sufficient Leadership in Energy and Environmental Design (LEED) elements in the planning, design and construction of the facilities that could lead to silver LEED-equivalent certifications under LEED Version 2.2. To achieve this level of quality, virtually every aspect of construction will be modified to meet certain environmental specifications, including heating, ventilation and air-conditioning; roof materials; siding; flooring; plumbing fixtures; paint; and storm water management.

**PROTECTION OF ENVIRONMENTAL RESOURCES.** Every site will be designed to protect inland-wetland and water courses, minimize site disturbance and remediate storm water prior to discharge. The primary goal is to prevent each site from contributing to any new direct inland-wetland impacts and to implement a series of “best management practices” as prescribed by the State of Connecticut Department of Environmental Protection. These include surface and underground storm water detention, bio-filtration, deep sumps at catch basins, and mechanical grease and grit separators, all designed to remove pollutants and solids from storm water after it travels over large paved areas.

**RECYCLING.** A comprehensive recycling program will be established at each location to minimize solid waste and to promote eco-friendly operations.

## PROJECT SERVICE LLC: A PUBLIC-PRIVATE PARTNERSHIP

In November 2009, Carlyle Infrastructure Partners, L.P. entered into a joint venture to form a 35-year public-private partnership with the State of Connecticut to redevelop, operate and maintain Connecticut's 23 highway service areas across the state. Other parties in the joint venture, which is called Project Service LLC, are Doctor's Associates Inc.—the parent company of SUBWAY Restaurants—and Subcon Inc.

Project Service and its tenants expect to invest approximately \$178 million in improvements and upgrades to the service areas. Altogether, the state is expected to receive nearly \$500 million in economic benefit from the redevelopment effort. Project Service is also expected to create approximately 375 new jobs, including custodial positions represented by the Service Employees International Union.

As part of the redevelopment effort, Project Service is committed to redeveloping and operating the service plazas in an environmentally friendly and sustainable manner.

## B&B HOTELS: INNOVATION IN HOSPITALITY

B&B Hotels, which was recently acquired by Carlyle Europe Partners III, L.P., won the Hospitality Award 2010 for Best Sustainability Initiative by collaborating with a manufacturer in southwest France to develop a unique process to recycle pillows. Since the process was adopted, the company has recycled 20.5 tons of foam-filled cushions, 1.5 tons of upholstery fibers and 3.3 tons of cloth. If all of the hotel chains in France adopted this approach, more than 172 tons of foam, 12 tons of fiber and 27 tons of cloth would be recycled each year instead of going to landfill sites.

Further demonstrating its commitment to environmental sustainability, B&B Hotels also participates in the Green Key Eco-Rating Program. The Green Key program is a graduated rating system designed to recognize hotels that are committed to improving their environmental and fiscal performance. Hoteliers are awarded a Green Key rating based on the results of a comprehensive assessment of such areas as housekeeping, waste management, and energy and water conservation. Currently, 147 of B&B's 184 hotels have Green Key status. The company's goal is for all of its hotels to achieve this classification.

B&B's ESG initiatives were an important factor for Carlyle when considering an investment in the company. The investment team was impressed by B&B's commitment to meet and exceed ESG standards set by industry regulatory bodies. Since the acquisition, we have given our full support to the company as it focuses on ESG issues.



B&B's ESG commitment was one of the factors that Carlyle considered when making the investment. We fully intend to support the company as it continues current initiatives and evaluates new environmental opportunities.

**"The Hospitality Award is a true honor for us. In accordance with the ideas endorsed by the Green Key classification scheme, protecting the environment should not be merely a theory, but a long-term commitment on a daily basis."**

Georges Sampeur  
Chief Executive Officer  
B&B Hotels

An aerial photograph of a city, likely London, showing a dense urban landscape with numerous buildings and streets. The image is overlaid with a blue gradient that transitions from a light blue at the top to a darker blue at the bottom, covering the right side of the page.

## REDUCING CARBON IN THE UNITED KINGDOM

Carlyle is actively complying with the requirements under the U.K. Carbon Reduction Commitment Energy Efficiency Scheme (CRC), the country's first mandatory carbon trading scheme, which became effective in April 2010. The U.K. government has committed to reducing CO<sub>2</sub> emissions by 60% by 2050, and the CRC aims to encourage large "low energy-intensive" organizations not covered by existing E.U. legislation to reduce their CO<sub>2</sub> by 1.2 million tons per year by 2020.

All organizations that have had at least one half hourly electricity meter operating in the United Kingdom since 2008 must measure and report their carbon emissions annually to the Environment Agency. This includes companies whose headquarters are located outside the United Kingdom. Starting in 2012, companies whose annual electricity usage exceeds 6,000-megawatt hours will be required to buy allowances from the government each year to cover their emissions. Under the plan, the cost to those companies that reduce emissions will fall annually. A performance league table will publicize how organizations are performing relative to other participants, with the aim of enhancing the reputation of good performers and exposing consistent poor performance.

A portfolio company that qualifies under the CRC is grouped together with its owner fund, along with other portfolio companies held by that fund, as one "CRC organization." Carlyle has registered eight such CRC organizations, four of which will need to buy allowances in 2012 and four of which have information disclosure obligations only. Each registering CRC organization has appointed a special-purpose entity to act as its primary member for compliance purposes and, where appropriate, to register and ensure compliance with the requirements. Registrations were submitted by September 30, 2010, and each CRC organization is in continuing dialogue with the Environment Agency and Carlyle's advisors about the requirements for ongoing CRC compliance.

## GOING GREEN AT OUR OFFICES WORLDWIDE

As part of a firmwide initiative, we are implementing a number of Go Green programs that support environmental sustainability at our 27 offices around the world. Our goal: to reduce our carbon footprint and improve the use of office resources, including the sourcing of goods and services.

On the local level, each Carlyle office participates in green or sustainable practices in a variety of ways, including recycling, reducing plastic and paper use, using compostable or biodegradable office products, and saving energy.

Our Washington, DC office, which is managed by Hines Interests on behalf of Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), won the Hines GREEN OFFICE award in recognition of its implementation of innovative and effective green initiatives. The Hines GREEN OFFICE program offers tenants ways to enhance the management of their own space. It measures and rewards sustainable practices, encouraging tenants to identify and implement no-cost or low-cost alternatives to operating in a standard office environment. Tenants earn “leaf credits” as improvements are made in such areas as energy efficiency, recycling and cleaning. When an office achieves 70 leaf credits, it is designated as a GREEN OFFICE.

Our Luxembourg office signed an agreement with a division of the Luxembourg Ministry of Environment and is working to meet all of the requirements to earn a Green Label as part of the SuperDrecksKëscht (SDK) program. Requirements include the implementation of waste prevention initiatives and environmentally sound recycling of waste. Businesses advised by SDK recycle 70% of all the waste they produce.

Our Seoul office has also implemented many green initiatives. These include providing recycling bins for toner cartridges and other waste, reducing the use of bottled water, providing plates and silverware to minimize single-use products, using double-sided printing to reduce paper consumption, and keeping office equipment in an energy-saving mode.



**“Carlyle is implementing a number of Go Green initiatives at our 27 offices around the world that support environmental sustainability as we are seriously committed to reducing our carbon footprint.”**

**Janet Andre  
Managing Director and  
Head of Global Administration**



Being a good corporate citizen means contributing to the communities where we live and work. We do that by supporting volunteer activities and by making it easy for employees to get involved. For example, Carlyle employees have worked with Habitat for Humanity to help refurbish homes for families in need in Washington, DC, helped clean the grounds of a park in London and painted the interior of a center for the disabled in Luxembourg.





## Corporate citizenship in our communities

To strengthen our ties to the communities where we live and work, Carlyle developed the One Community and Wealth Sharing programs.

### **ONE COMMUNITY: VOLUNTEERISM**

Our volunteer program is rooted in the *One Carlyle* philosophy of working together to create positive change. It provides Carlyle employees with the opportunity to use their talents to support the communities in which they live, work and invest.

One Community is a flexible, locally focused initiative. Employees can volunteer through Carlyle's partnership organizations or select a project that has significance in their local community. Either way, Carlyle supports a range of volunteer programs in diverse geographic and cultural contexts. All Carlyle employees are given two working days per calendar year to volunteer.

We make it easy for employees to get involved. Each office has a Volunteer Program Leader who can help organize events. We encourage employees to arrange group volunteer activities that foster the *One Carlyle* collaborative spirit by working together with other Carlyle colleagues across disciplines and teams. As a firm, we have recently partnered with several organizations, including Junior Achievement and Habitat for Humanity.

### **VOLUNTEERISM IN ACTION**

Junior Achievement (JA) is the world's largest organization dedicated to educating students about workforce readiness, entrepreneurship and financial literacy through experiential, hands-on programs. We believe the workplace skills of Carlyle employees are ideally suited to JA's objectives, and its global network can support volunteer opportunities for nearly all of Carlyle's 27 offices across the globe.

In Washington, DC, 40 Carlyle employees participated in the "JA in a Day" Program at Ferebee-Hope Elementary School on May 7, 2010. Co-Founder and Managing Director Daniel A. D'Aniello led the inaugural event kicking off Carlyle's new volunteer partnership with JA. Employees taught financial literacy classes at the all-day event to students in grades K-6, and Mr. D'Aniello spoke to the 6th grade class about entrepreneurship



William E. Conway, Jr., Co-Founder and Managing Director, packs and sorts donated food at the Capital Area Food Bank to help feed those in need in Washington, DC. Mr. Conway recently donated \$5 million to the Capital Area Food Bank to be used toward construction costs to expand its warehouse facility in Northeast Washington. The Capital Area Food Bank is Washington, DC's primary source for more than 700 food pantries and other nonprofits around the region.

and shared inspiring personal stories. With teaching materials provided by JA, Carlyle employees had prepared and practiced their lesson plans for several weeks in advance of the event, and plan to visit more local schools in 2011.

In Beijing and Shanghai, Carlyle employees are working with JA on its Student Company program. In May 2010, employees from the Shanghai office shared their investment experience with students at a high school affiliated with Shanghai Jiao Tong University. Starting in September 2010, employees from the Beijing office have been going to Beijing No. 15 High School on a weekly basis to help more than 20 students manage their own "companies." Another volunteer effort involved an initiative at a high school affiliated with Beijing Normal University.

In London, Carlyle employees participated in their first volunteer events with JA since the launch of our partnership. In addition, two groups from different fund teams collaborated in a personal economics program at a high school to help teenagers prepare for the world of work and financial independence.

Habitat for Humanity partners with communities to find appropriate, long-term housing solutions. Since it was formed in 1976, Habitat for Humanity has helped more than 1.75 million people renovate or build some 350,000 homes. In November and December 2010, two volunteer groups from our Washington, DC office partnered with DC Habitat for Humanity to help refurbish two homes in the Ivy City community. This was part of the Jimmy & Rosalynn Carter Work Project to help improve existing homes in Northeast Washington for low-income families in need.

Also in 2010, 45 employees from the Tokyo office volunteered with Special Olympics Japan and JEN, an organization that supports people suffering as a result of disaster or conflict. Tokyo colleagues also volunteered with REFARM, whose mission is to revitalize the agriculture industry in Japan, and helped clean up a municipal bird sanctuary park. These activities are all part of the Tokyo office's annual effort underway since 2005 to promote the active involvement of all staff members in office-wide "Volunteer Days."



Shirlene Song (standing left), a Senior Associate with Carlyle Asia Real Estate Partners, and Vion Sun (standing right), an Associate with Carlyle Asia Growth Partners, teach students about bookkeeping and balance sheets at a high school affiliated with Beijing Normal University.

Daniel A. D’Aniello (standing right), Co-Founder and Managing Director, and Christopher W. Ullman (standing left), Managing Director and Director of Global Communications, as well as other Carlyle employees from the Washington, DC office teach financial literacy classes at the “JA in a Day” event to Ferebee-Hope Elementary School students in grades K-6.

“I understand the important mission that Junior Achievement plays in local communities. I think we left the students with a good understanding of how financial literacy can make a positive impact on their lives.”

Stuart J. MacKenzie  
 A Director on Carlyle’s Structured Credit team speaking about the impact of a Junior Achievement event on children at a primary school in London.





“The mission of the Toigo Foundation is to change the face of finance. We’re honored by Carlyle’s support in launching the Toigo Private Equity MBA Fellowship—it’s a true testament to the firm’s leadership and long-standing commitment to diversity.”

Nancy Sims  
President  
Robert Toigo Foundation



The inaugural Toigo Private Equity MBA Fellowship was awarded to Tanaka Maswoswe (seated right) in March 2010. With him, from Carlyle, are David M. Rubenstein (seated left), Co-Founder and Managing Director; Cedric L. Bobo (standing left), Vice President and Toigo Alumnus; and Allan M. Holt (standing right), Managing Director and Head of the U.S. Buyout group.

## WEALTH SHARING PROGRAM

While many Carlyle executives and employees are active in making their own personal contributions to charities, Carlyle has also established a firmwide program to encourage additional giving. Our Wealth Sharing Program supports Carlyle employees in their charitable giving by matching on a dollar-for-dollar basis up to \$2,000 per year for contributions made to educational and humanitarian organizations. The program allows us to act in concert with employees to give back to society. The goal of the program is to foster the *One Carlyle* spirit by supporting the charitable activities of Carlyle professionals.

## COMMITMENT TO DIVERSITY

At Carlyle, we’re committed to promoting diversity and believe in the tremendous value diverse teams and experiences bring to our firm and the alternative asset industry as a whole. We seek to cultivate an environment rich in different backgrounds, perspectives and experiences.

To this end, in 2009 Carlyle and the Robert Toigo Foundation joined forces to launch the Toigo Private Equity MBA Fellowship, an industry initiative aimed at attracting minority MBA graduates to the sector. A nonprofit organization focused solely on the finance industry, Toigo has supported the development of minority MBAs as finance leaders for the past 20 years—touching the lives of 1,000-plus young men and women. Toigo seeks to identify the best and brightest diverse talent attending business school and helps them with mentoring, career advancement and leadership development.

In March 2010, the inaugural Toigo Private Equity MBA Fellowship was awarded to Tanaka Maswoswe, a graduate student at Harvard Business School. After spending six months in our Washington, DC office with Carlyle’s U.S. Buyout group, Tanaka will split his remaining time between working with Sequa Corporation, a Carlyle Partners IV, L.P. portfolio company, and CalPERS, the California Public Employees Retirement System.

Competition for the fellowship increased significantly in year two, with the number of applications submitted rising by more than 40%. This year, Vista Equity Partners and Palladium Equity Partners committed to participate in the Toigo Fellowship program, with each identifying a 2011 Fellow to join their respective firms. Ryan Ashley, an MBA candidate at Harvard Business School, was selected as the second Toigo Private Equity Fellow and will join Carlyle in the summer of 2011 for the one-year fellowship.

## PROMOTING GENDER DIVERSITY AT THE HIGHEST RANKS

Carlyle is committed to gender diversity and is working to improve the hiring, retention and promotion of women throughout the organization. As of December 2010, approximately 44% of our 949 employees worldwide are women, and many are in leadership positions.

In November 2010, Carlyle sponsored the Women's Alternative Investment Summit in New York City, where female executives in private equity, venture capital, hedge funds and real estate investing gathered to exchange ideas and discuss alternative investments in a changing financial environment.

## SUPPORTING INTERNSHIPS

We sponsor a variety of scholarship and internship initiatives for minority high school students and young adults to increase the resources and opportunities available to prepare these students for professional careers.

For example, The Don Bosco Cristo Rey Corporate Work Study Program provides Carlyle with a unique opportunity to share the *One Carlyle* approach with high school students in the Washington, DC area who want to attend college, but who have limited financial resources. This partnership provides training and placement for students in entry-level clerical positions at Carlyle. Carlyle provides tuition assistance and teaches valuable real-world skills to the students while they develop important character traits that will help them succeed in education and in their careers. Carlyle has hosted a student from Don Bosco each year since 2008.

Since 2005, our Information Technology Group in Washington, DC and New York has partnered with Year Up, an organization that provides urban young adults with an intensive training program of hands-on skill development, college credits and corporate internships. Each year, Carlyle trains several interns on basic information technology skills, interpersonal relationships and management. Carlyle employees also mentor our interns, help prepare them for employment and guide them in exploring career options.



“Compared with other financial firms, Carlyle ... has a high percentage of senior executives who are women.”

New York Times, December 16, 2010



At the corporate level, we focus our citizenship efforts on upholding the highest ethical and business standards. As a global firm, we're dedicated to adhering to relevant disclosure and transparency guidelines in countries where we invest. To that end, we have developed and invested in a number of effective systems and controls that enable us to closely monitor all aspects of our business.



## Corporate governance

We operate from a place of strong corporate governance, ownership and transparency. We strive to clearly align the interests of Carlyle, our portfolio companies and our investors.

We believe we have a clear and effective framework that enables us to uphold the highest ethical and business standards across the firm. Maintaining Carlyle's good name and the good names of our investors is paramount. From the earliest years of the firm, we have invested heavily in our systems and controls. We perform most ongoing activities in-house, including investor relations, corporate communications, financial reporting and accounting oversight.

### **OWNERSHIP**

Carlyle is a private partnership, owned by a group of senior Carlyle professionals and two institutional investors. Mubadala Development Company, a strategic investment and development company headquartered in Abu Dhabi, owns 9.35% of Carlyle and CalPERS, the California Public Employees Retirement System, owns 5% of the firm.

### **MANAGEMENT**

Carlyle is headquartered in Washington, DC and has offices in 19 countries. The firm is managed by its three Co-Founders and Managing Directors, William E. Conway, Jr., Daniel A. D'Aniello and David M. Rubenstein. The three founders are joined by Glenn A. Youngkin, Managing Director and Operating Committee Chairman, on the firm's executive committee. All investments made by Carlyle-sponsored funds are assessed and approved by investment committees comprising senior investment professionals.

Investment advisory entities based in offices around the world provide the funds with investment advice. Carlyle has also established an operating committee, an important step in the continued institutionalization of our firm. The operating committee is responsible for corporate development and planning, balance sheet management and new product development, among other critical functions. The operating committee is led by seven senior Carlyle professionals: Glenn A. Youngkin, Chair; Michael W. Arpey; Jeffrey W. Ferguson; David M. Marchick; Michael J. Petrick; Bruce E. Rosenblum; and Gregory L. Summe.

### **COMPLIANCE OFFICER**

Catherine Ziobro is Carlyle's Chief Compliance Officer and is based in Washington, DC. Ms. Ziobro is responsible for the oversight and management of Carlyle's compliance program.

### **CONFLICTS OF INTEREST**

Carlyle has adopted a Code of Conduct that sets forth the standards of ethical conduct for its employees. The firm also has a conflicts committee to help manage conflicts of interests that may arise during the conduct of its business.

## **U.K. “WALKER” GUIDELINES FOR DISCLOSURE AND TRANSPARENCY**

As a member of the British Venture Capital Association, Carlyle believes that it is fully compliant with the Walker Guidelines for Disclosure and Transparency. Carlyle’s website, [www.carlyle.com](http://www.carlyle.com), is regularly updated, and the information within it forms the basis upon which compliance with the Guidelines is maintained. This Corporate Citizenship Report is produced in addition to the website to deliver an overview of the firm and its activities.

## **THE CARLYLE GROUP’S U.K. BUYOUT OPERATION**

CECP Advisors, L.L.P. is a U.K. Financial Services Authority (FSA)-regulated entity based in London that provides investment advisory services to Carlyle’s European buyout and growth capital investment funds, among other non-regulated services. The buyout funds include Carlyle Europe Partners, L.P., Carlyle Europe Partners II, L.P. and Carlyle Europe Partners III, L.P. The growth capital funds include Carlyle Europe Venture Partners, L.P., Carlyle Europe Technology Partners, L.P. and Carlyle Europe Technology Partners II, L.P. The advisory services provided by this U.K. FSA-regulated entity include providing advice and recommendations to the funds with respect to origination, investigation, structuring, financing, acquisition, monitoring and/or for the disposition of investments. It does not make investment decisions on behalf of the investment funds or have the authority to enter into contracts or commitments on behalf of the investment funds. Andrew Burgess, Managing Director, heads Carlyle’s U.K. buyout operation. Robert Easton, Managing Director, and Michael Wand, Managing Director, co-head Carlyle’s Europe technology operation. Sam Block III, Principal, is Chief Compliance Officer for CECP Advisors, L.L.P. The U.K. companies in Carlyle’s Europe funds include Ensus, Mill Digital Media, ReEnergy Advisory Group and Talaris (see [www.carlyle.com](http://www.carlyle.com) for details).

## **GERMANY “BVK” GUIDELINES FOR DISCLOSURE AND TRANSPARENCY**

As a member of the Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (BVK), the German private equity and venture capital trade association, Carlyle believes that it is fully compliant with the BVK Guidelines for Disclosure and Transparency. Carlyle’s website, [www.carlyle.com](http://www.carlyle.com), is regularly updated, and the information within it forms the basis upon which compliance with the guidelines is maintained. This Corporate Citizenship Report is produced in addition to the website to deliver an overview of the firm and its activities. Carlyle portfolio companies H.C. Starck, KCS.net Holdings, LBI International and Personal & Informatik will comply with the guidelines and the Corporate Citizenship Report will be published on the website.

## **THE CARLYLE GROUP’S GERMAN BUYOUT OPERATION**

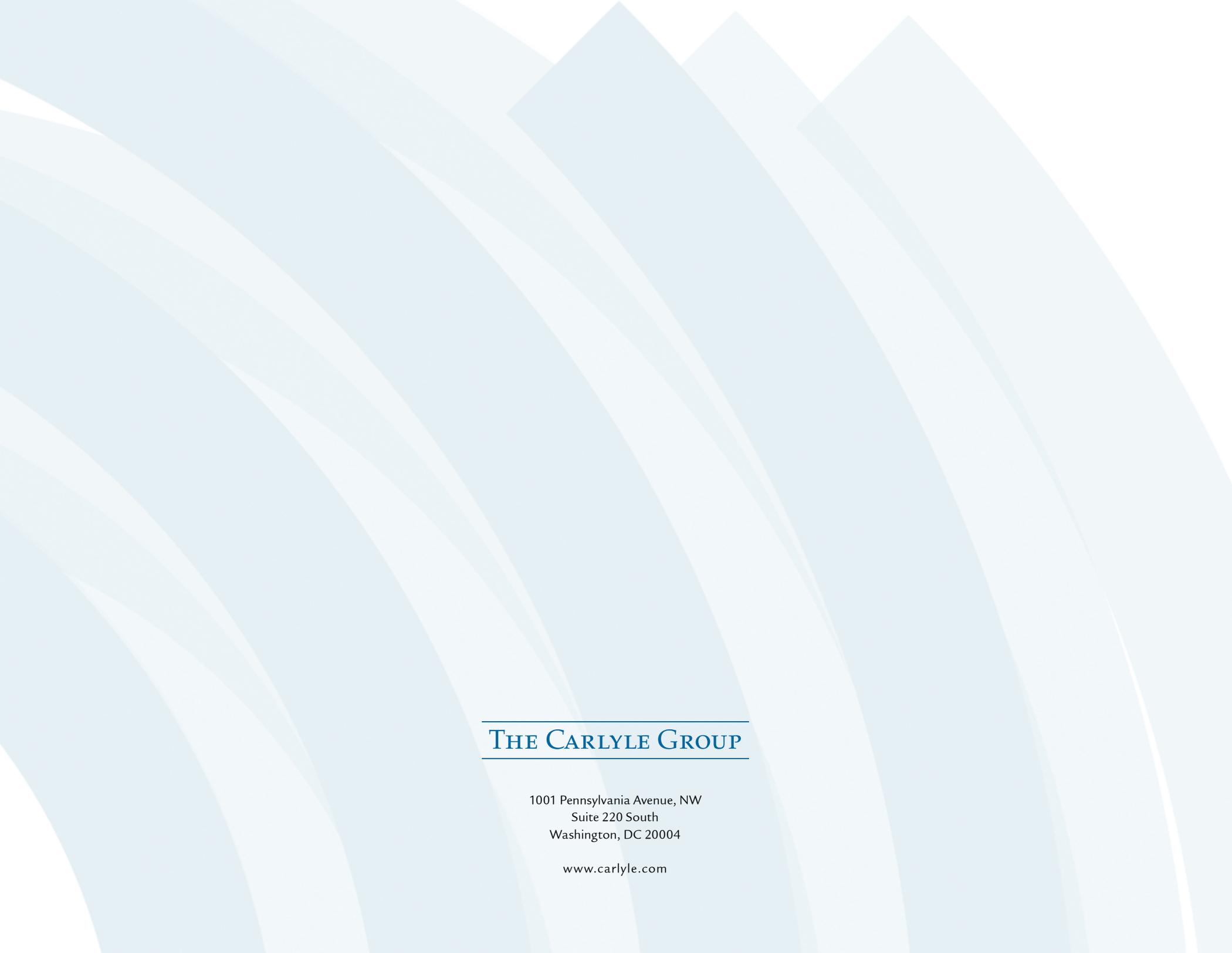
Carlyle utilizes the services of Carlyle Beratungs GmbH, an independent advisory company based in Munich, Germany, that provides advisory services with respect to investment activity in Germany to Carlyle’s buyout funds, Carlyle Europe Partners, L.P., Carlyle Europe Partners II, L.P. and Carlyle Europe Partners III, L.P. Dennis Schulze and Michael C. Schuster are directors of this advisory entity. The advisory services include providing advice and recommendations to the funds with respect to origination, investigation, structuring, financing and monitoring. It does not make investment decisions on behalf of the investment funds or have the authority to enter into contracts or commitments on behalf of the investment funds. Gregor Böhm, Managing Director, is a specialist in German private equity providing advice to Carlyle’s buyout funds.

## ABOUT THE CARLYLE GROUP

The Carlyle Group is a global alternative asset manager with \$97.7 billion of assets under management committed to 76 funds as of September 30, 2010. Carlyle invests across three asset classes—private equity, real estate and credit alternatives—in Africa, Asia, Australia, Europe, North America and South America, focusing on aerospace and defense, automotive and transportation, consumer and retail, energy and power, financial services, healthcare, industrial, infrastructure, technology and business services, and telecommunications and media. Since 1987, the firm has invested \$64.7 billion of equity in more than 1,000 transactions.

The Carlyle Group employs more than 900 people in 19 countries. In the aggregate, Carlyle portfolio companies have more than \$84 billion in revenue and employ more than 398,000 people around the world.

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